

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 TRSE-00 SSO-00 NSCE-00

USIE-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 AGR-05 AID-05

CIAE-00 COME-00 INR-07 IO-13 LAB-04 NSAE-00 OIC-02

SIL-01 STR-04 CIEP-01 CEA-01 NEA-10 OPIC-03 SS-15

NSC-05 H-02 PRS-01 PA-01 INRE-00 /117 W

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O R 071702Z JUL 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC IMMEDIATE 2834

USMISSION OECD PARIS IMMEDIATE

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS UNN

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY BRUSSELS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS UNN

C O N F I D E N T I A L BERN 3021

E.O. 11652: GDS

TAGS: EFIN, SZ

SUBJECT: CIEC AND THE TREATMENT OF LDC EXTERNAL DEBT

REF: A) STATE 160431, B) BERN 2982

1. EMBOFF JULY 7 DISCUSSED U.S. VIEWS ON HANDLING DEBT WITH ROETHLISBERGER AND SALADIN OF DIVISION OF COMMERCE. GOS ESSENTIALLY IN AGREEMENT WITH US VIEWS CONTAINED REFTTEL A BUT PREFERS SLIGHTLY DIFFERENT APPROACH TO CONCEPTUAL DISTINCTION OF DEBT PROBLEM. GOS NOT INITIALLY OPPOSED TO DEBT
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EXPORTS GROUP BUT INTERESTED IN CLARIFICATION US POSITION

OPPOSED SEPARATE GROUP FORMATION. GOS UNDERSTOOD THERE NO NEED FOR SUBSTANTIVE DISCUSSIONS AT JULY CIEC, ONLY SHORT MEETING.

2. GOS SHARES US VIEW ON DIVISION OF DEBT TYPES. HOWEVER, GOS PREFERS DISTINCTION BETWEEN FIRST TYPE OF ACUTE DEBT CRISIS AND SECOND TYPE OF PROBLEM WHICH GOS VIEWS AS ESSENTIALLY NON-DEBT CRISIS PROBLEM THAT INCLUDES ALL CASES WHERE DEBT CRISIS SITUATION MUST BE AVOIDED. GOS PREFERS THREE-STAGED APPROACH TO LATTER TYPE PROBLEM. FIRST STAGE IS WHERE LDC'S SHOULD BE REQUIRED TAKE OWN MEASURES NECESSARY TO ACHIEVE BALANCE OF PAYMENTS STABILITY. IF SUCH ADJUSTMENT NOT POSSIBLE OR IF IT DEEMED SERIOUS DETRIMENT TO DEVELOPMENT PROGRAMS, ONLY THEN WOULD SECOND STAGE APPROACH BE REACHED OF RESOURCES TRANSFER. TYPES OF RESOURCES APPROPRIATE TO RESOLVE PROBLEM MUST BE CONSIDERED, I.E. WHETHER TRANSFER PUBLIC OR PRIVATE RESOURCES. THIRD STAGE MEASURES TO ALLEVIATE DEBT BURDEN IN EVENT RESOURCES TRANSFER INADEQUATE SOLVE COUNTRY'S PROBLEM. GOS DOES NOT PROPOSE CONSOLIDATED DEBT RELIEF AT THIRD STAGE BUT RATHER ATTEMPTS TO ALLEVIATE CERTAIN PARTS OF DEBT BURDEN CONSIDERED KEY TO PROBLEM. GOS BELIEVES THREE-STAGED APPROACH TO NON-DEBT CRISIS PROBLEM SHOULD BE BASIS FOR DISCUSSION.

3. GOS FEELS FINANCIAL COMMISSION SHOULD DEAL WITH DEBT CRISIS AND DEVELOPMENT COMMISSION TO HANDLE AVOIDANCE OF DEBT. POSITION STILL OPEN ON JOINT SEPTEMBER MEETING.

4. GOS IN ACCORD WITH US VIEW THAT NOTION OF FEATURES AS DISCUSSED AT UNCTAD IV SHOULD ONLY APPLY TO FIRST TYPE OF ACUTE DEBT CRISIS PROBLEM AS GENERAL FRAME OF REFERENCE AND EXCLUDE AUTOMATIC BASIS FOR DEBT RELIEF. BELIEVES COMMISSION COULD PLAY IMPORTANT ROLE TO STREAMLINE PROCEDURES UNDER WHICH DEBTOR COUNTRY PRESENTS CASE FOR STUDY AND DECISION.

5. GOS BELIEVES DISCUSSION OF LDC EXTERNAL DEBT TREATMENT SHOULD BE BUILT ON MID-1975 UNCTAD IV DEBT EXPERTS REPORT WHICH ASSEMBLED IMPORTANT DOCUMENTS AND EXPERTISE
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THAT OTHERWISE WOULD BE REDONE. ALSO USEFUL COORDINATE WITH DAC OR FORMAL ACKNOWLEDGEMENT OF DAC LINK, BECAUSE DEVELOPMENT DIRECTORATE DID INITIAL WORK ON THIS ISSUE AND DAC MAY BE LEFT TO IMPLEMENT WHATEVER CONSENSUS IS REACHED.

6. GOS HAS NO DIFFICULTY WITH SEPARATE EXPERTS GROUP IF NECESSARY ACHIEVE RESULTS BUT INTERESTED IN USG

VIEWS OPPOSED. GOS CANNOT SEE COMMISSION ITSELF
HANDLING THIS ISSUE WITH DESIRED OUTCOME. EXPERTS MUST
GET TOGETHER ON SUBSTANTIVE ISSUES SOON.
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